

January 20, 2006

Maine Milk Commission Special Meeting Minutes  
Deering Building, Room 233  
Augusta, Maine 04333

Notices for the January 20, 2006 meeting were distributed to Commission members, intervenors and other interested parties December 23, 2005 and sent to the Secretary of State's Office for posting on January 4, 2006.

**Commission Present:** Chair, Michael Wiers, Colon Durrell, Katherine O. Musgrave, John Joseph Jr. and Shelley Doak *ex-officio*.

**Commission Absent:** None

**Department Officials:** None

**Staff Present:** Stanley Millay, Executive Director, and Carol Gauthier clerical assistant

**Legal Counsel:** Lucinda White, Assistant Attorney General

**Intervenors Present:** John Blake, H.P. Hood, Inc., Thomas Brigham, Oakhurst Dairy

**Others Present:** Fred Hardy, Dale Cole, Galen Larrabee and Julie-Marie Bickford from the Maine Dairy Industry Association (MDIA), Dr. Timothy Dalton from the University of Maine.

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Meeting called to order at 2:10 P.M. by chair, Michael Wiers.

**Agenda Item 1: Minutes:** John Joseph, Jr. made a motion to accept the minutes for December 23, 2005, January 6, and January 10, 2006 meetings. Katherine Musgrave seconded. Motion passed 4-0.

**Agenda Item 2: Lucinda White, Assistant Attorney General:** No report.

**Agenda Item 3: Minimum Prices:** The prevailing premium is \$1.10 for February 2006 reported by Dairy Marketing Services and Agri-Mark Cooperative.

Shelley Doak made a motion to accept Schedule 02-06 as presented. John Joseph, Jr. seconded. Motion passed 4-0.

Minimum milk prices adopted include the Federal Order Class I price for February 2006 of \$16.63 plus a processor assessment of \$0.20/cwt. plus a Cost of Production Margin of \$0.89/cwt., plus a handling fee of \$0.93/cwt.

There is a Farm Bill Counter Cyclical Payment (MILC) for February 2006 of \$0.1054. Congress has reauthorized the MILC program at a reduced rate: (34% of \$16.94 minus the Class I Price).

**Agenda Item 4: Maine Monthly Price Survey:** The Commission reviewed the Maine price survey for January 2006 which included prices for Augusta and Bangor.

**Agenda Item 5: Next Scheduled Meetings:**

Katherine Musgrave made a motion to move the start time of the meetings from February through May to 2:00 P.M. John Joseph, Jr. seconded. Motion passed. 4-0.

- February 17, 2006, Friday 2:00 p.m.  
Room 233, Department of Agriculture, Food & Rural Resources  
Augusta, Maine
- March 17, 2006, Friday 2:00 p.m.  
Room 233, Department of Agriculture, Food & Rural Resources  
Augusta, Maine
- April 21, 2006, Friday 2:00 p.m.  
Room 233, Department of Agriculture, Food & Rural Resources  
Augusta, Maine
- May 19, 2006, Friday 2:00 p.m.  
Room 233, Department of Agriculture, Food & Rural Resources  
Augusta, Maine

**Agenda Item 6: Other:**

1. **Milk Commission Budget:** The Commission Reviewed income and expenditures.
2. **Producer Margins:**

At the November 18 meeting, the Commission voted to recognize the short-run breakeven (SRBE) cost of production (target prices) for the three different farm sizes identified and further moved that the production range for the first level, Small Farm with a SRBE of \$16.93, be from 0 to 21,355 hundredweights, second level, Medium Farm with a SRBE of \$14.79, be from 21,356 to 49,079 hundredweights and the Large Farm category be over 49,079 hundredweights at \$14.13.

At the December 23, 2005 meeting, Lisa Bragg presented a progress report on the cost of milk production in Maine and explained increased cost of production levels due to fuel for the three different farm sizes set forth above. These increases are not part of the study because they occurred after the data was collected in 2004. These increases are for the cost of fuel only and do not include additional costs of electricity, transportation surcharges or fuel cost adjustments by milk haulers. These increased fuel costs impact the above target prices by adding 19 cents/cwt to the small farm category, 18 cents/cwt to the medium farm category and 15 cents /cwt to the large farm category. This information was presented to the Commission at the public hearing on cost of production on January 6, 2006. Comments from the hearing process are summarized below.

The cost of production study results are based on 2004 data collected from farm surveys. Since this data collection occurred, energy costs have risen significantly. As a result, transportation costs, fuel and other energy related costs for Maine milk producers are much higher than those reflected in the study.

Secondly, comments pointed out that the Governor's Task Force on the Sustainability of the Dairy Industry in Maine recommended a stabilization program that included cost recovery for Maine milk producers.

Thirdly, some comments urged the Commission to adjust the three ranges of production so that farms would stay in the smaller categories longer and receive a higher level of support for a greater period of time.

Other comments suggested that insurance cost, feed costs, fertilizer, electricity and other cost factors used in the study were much higher now than when the data was collected in 2004.

Finally, comments stated the importance of farmland and open space to the State of Maine.

Shelley Doak made a motion to accept the study as presented with a provision that the small, medium and large short-run breakeven costs of production levels identified in the study be modified to recognize fuel and oil increases since 2004, and that the three production ranges be those adopted from the study. The motion was for the small farm level with a production range from 0 to 21,355 hundredweights of annual production to have a target price of \$17.12/cwt; the medium farm level with a production range from 21,356 hundredweights to 49,079 hundredweights of annual production to have a target price of \$14.97/cwt and the large farm level over 49,079 hundredweights of annual production to have a target price of \$14.28/cwt. John Joseph, Jr. seconded the motion.

The Commission discussed the results of the study and considered the comments received from the public hearing. Assistant Attorney General Lucinda White informed the Commission that the statute did not limit them to three years when studying the Cost of Production. She said the statute indicated that the study should be done no less than every three years.

Julie-Marie Bickford encouraged the Commission to consider increasing the production range of tier one to keep all farms in that level longer.

Galen Larrabee urged the Commission to adjust the prices up now as much as possible because a new study would not be completed for three years.

Tom Brigham asked the Commission to adopt the new levels as soon as possible so that the Commission could consider lowering the cost of production adjustment to minimum prices each month. He suggested that the Commission adopt the study without the fuel adjustment and consider fuel costs at each monthly price setting meeting instead.

Lucinda White pointed out that the Commission was considering changes to Rule 26, not changes to the study. She said the Commission should use the study to modify the rule.

Dr. Dalton explained that the study was based on 2004 data. He agreed that costs had increased since the data was collected but told the Commission that without a review of all of the cost factors in the study there was very little that could be done scientifically to adjust the study results. He stated that the fuel and oil cost update that was presented to the Commission during the comment period was defensible and that the three ranges of production that were identified by the Commission were within the limits of the study.

The Commission concluded that the statute limited the Commission to the short-run breakeven cost of production levels identified in the study and to production ranges that were within the scope of the study. They also concluded that they could not further modify the study results without further investigation. They asked that Dr. Dalton come back to the Commission with a proposal to look at the 2004 study to see if there was a method possible to update it sooner than three years.

Motion passed 4-0.

**Agenda Item 7: Executive Session:** The Commission did not go into Executive Session

**Meeting Adjourned:** 3:45 P.M.

Stanley Millay, Executive Director, Maine Milk Commission.